

Mineral Reserves Declaration Report

40. Public disclosure of Mineral Reserves is allowed only after completion of a technical and economic study whose results and supporting documentation form a 'Mineral Reserves Declaration Report'. The Competent Person is responsible for the content of the Mineral Reserves Declaration Report and supporting documentation.

The content of a Mineral Reserves Declaration Report will vary depending on the project being studied. It is the responsibility of the Competent Person to determine that all applicable subjects are taken into account when preparing the report. A checklist of assessment criteria is given in Table 1. It is the responsibility of the Competent Person to determine which ones of these criteria and which additional criteria should apply to a particular project. The relative importance of these criteria will vary with the particular project and the legal and economic conditions pertaining at the time of determination.

The Mineral Reserves Declaration Report can be a single document in which all assessment criteria deemed applicable by the Competent Person are analyzed, or a summary document which contains supporting documentation by reference only. The Competent Person takes responsibility for the content of the Mineral Reserves Declaration Report and all supporting documentation included by reference.

41. A **'Mineral Reserves Declaration Report'** is the result of a properly defined, adequately scoped, and professionally executed study of the viability of a mineral project. The study must have advanced to the stage where mining and mineral processing methods are defined and permitting is determined to be feasible. Realistic production and/or sales schedules must have been developed for the life of the project, including estimates of capital and operating costs. For projects with very long life the study must be sufficient to justify investments needed for current and planned production, as well as ongoing investments which will be needed to maintain long-term operations.

For new projects, the study must include a financial analysis, based on realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors, that is sufficient for a Competent Person, acting reasonably, to determine if all or part of the Measured and Indicated Mineral Resource may be converted to a Mineral Reserve.

For addition of Mineral Reserves to an existing operation or project, the study must be thorough enough to ensure that, in the opinion of the Competent Person, the previously declared Mineral Reserve combined with the new addition can be reported as a Mineral Reserve.

In making a Mineral Reserves declaration, it is implicit that the Mineral Reserves Declaration Report and associated studies conclude that, in the opinion of the Competent Person, the material disclosed meets the requirements of technical and economic viability and that, in the opinion of the entity reporting the Mineral Reserves, development of the Mineral Reserves would meet reasonable investment criteria when compared to alternative investments with similar risk.

In the case of a new mine, the Mineral Reserves Declaration Report will comprise, either in its entirety or by reference, a comprehensive suite of documents, produced under the supervision of a Competent Person, which support the reserve estimates being published. It is the Competent Person's responsibility to ensure that the documentation is sufficiently complete, accurate and cohesive as a whole to demonstrate the required confidence to enable public disclosure of the Mineral Reserves.

In the case of an operating mine, where existing reserves and mining experience lend greater confidence to the estimation of contiguous or nearby reserves, ensuring that the work done addresses all the issues required to establish a Mineral Reserve remains the responsibility of a Competent Person. The work must be supported by a Mineral Reserves Declaration Report covering, either directly or by reference, all of the relevant factors but with selective modification and allowances based on operating data and the inclusion of the new reserves in an overall project mining plan.

In the case of an operating mine or a mine with historical operation, if sufficient data is available, a reconciliation report should be included in the Minerals Reserves Declaration Report. A reconciliation report is a report which, for a defined time period or volume mined, compares actual production (as estimated from ore control, mine production reports, and/or mill production reports) with expected production as determined from the deposit model used for reserve estimation.

42. Public Reporting of a Mineral Reserve will normally indicate the intent to mine, or that a tangible asset has been defined for potential sale. Sufficient work should have been done during the study to confirm with reasonable certainty that there are no likely impediments, whether technical, economic or legal, to a mining operation being established.

A Mineral Reserve Declaration Report must discuss and explain risk (defined as the possibility of loss or failure), and where possible provide further explanation of how uncertainty (defined as incomplete knowledge which can result in either risk or opportunities) will be handled. If representing material information, project risk must also be disclosed in terms that the lay investor can understand.

Where Mineral Reserves have been defined but are scheduled to be mined at a date some distance in the future (as is commonly the case in the coal industry), sufficient assurance should be available on annual basis that, in the judgment of the Competent Person, endorsed by the reporting entity, economic viability can be demonstrated and the reserves retained in inventory.

Once Mineral Reserves have been defined and disclosed, further optimization may take place together with other refinements designed to provide sufficiently detailed engineering to establish cost estimates, define and mitigate risks and determine an implementation plan. However, it is implicit in a reserves declaration that this phase of optimization will not materially negatively affect the quantity, quality or economic viability of the Mineral Reserves.

When a Mineral Reserve is published, an assurance statement must be made that the Mineral Reserve Declaration Report standard was followed.

43. The contents of a Mineral Reserves Declaration Report may include sensitive information on product pricing strategies, marketing and sales forecasts and as such may remain confidential to the reporting entity. Where required or requested for the purposes of review or audit, the reporting entity will release this information to appropriate bodies such as the regulators or auditors on a confidential basis as supplemental information.

**Stagg Dec. -- Exhibit 3
APP. III 726**

44. Table 1 provides, in a summary form, a list of the main criteria which should be considered when preparing reports on Exploration Results, Mineral Resources and Mineral Reserves. These criteria must be taken into account when preparing a Mineral Reserves Declaration Report, but need not be discussed in a public report unless they materially affect estimation or classification of the Mineral Reserves.

It is not necessary, when publicly reporting Mineral Reserves, to comment on each item in Table 1, but it is essential to discuss any matters which might materially affect the reader's understanding or interpretation of the results or estimates being reported.

45. In estimating Mineral Reserves, information on assumed metallurgical recovery factors and processing losses play a critical role. Similarly, information relating to deleterious elements and physical characteristics that affect the ability to beneficiate or sell the product is also critical. This information must be discussed in the Mineral Reserves Declaration Report and, depending on its materiality, may have to be publicly disclosed.
46. Only that part of a Mineral Resource that has been classified as a Measured or Indicated Mineral Resource can be considered for conversion to a Mineral Reserve. Under no circumstance can an Inferred Mineral Resources be converted to a Mineral Reserve unless it is first converted to an Indicated or Measured Mineral Resource. When completing production schedules and economic studies for the purpose of determining whether a Mineral Reserve can be publicly reported, no material other than Measured and Indicated Mineral Resources should be considered.

Mineral Reserves and Commodity Pricing

47. Commodity prices used for the determination of Mineral Reserves should be based on forward-looking estimates reflecting management's reasonable and supportable short- and long-term expectations as supported by all available evidence. The basis for the selected prices must be justified and supported by appropriate documentation. The Competent Person must ascertain that these prices are consistent with historical prices or with sales agreements and marketing determinations.
48. For current mining operations, the price profile used for Mineral Reserve estimation can reflect current market conditions for short-term forecasts, while trending with time upward or downward toward the long-term price estimates based on management's expectations. For undeveloped Mineral Reserves, management should use their long-term price expectations.
49. For commodities sold under existing contracts, Mineral Reserves should be determined based on contract terms. For Mineral Reserves whose production would extend beyond the quantities specified in existing contracts, reasonable and supportable assumptions should be made to determine the prices applicable for the estimation and reporting of these Mineral Reserves.

50. To demonstrate the economic feasibility of a Mineral Reserve, the estimated prices, combined with other engineering parameters and modifying factors, must be applied to only Measured and Indicated Mineral Resources.

Mineral Reserves being the economically mineable part of a Measured or Indicated Mineral Resource, appropriate assessments must demonstrate at the time of reporting that extraction is reasonably justified. This requires that assumptions are made concerning the price of the commodity or product that will be sold when the mine is in production.

Mineral Reserves are estimated and published to supply information to investors concerning the value of the deposit and the risk which may be associated with its development. Mineral Reserves are used by management, in conjunction with Mineral Resources, for short-term, long-term and strategic planning. They play a critical role in accounting, including impairment testing, fair value accounting, calculation of depreciation, depletion and accumulated retirement obligation provision rates. To supply investors with information which is consistent with management's plans and financial reporting, commodity prices used for the determination of Mineral Reserves should be based on forward-looking estimates reflecting management's reasonable and supportable expectations as supported by all available evidence.

Management's price expectations must be reasonable and supportable. Most commodities, whether sold using publicly quoted prices (e.g., base metals and precious metals) or under long term contract (e.g., coal and iron ore), experience long term price cycles. Price expectations should reflect current prices as well as long-term trends. Overly optimistic or pessimistic price expectations could result in significant over or underestimation of reserves. It is the responsibility of management and the Competent Person to determine whether the prices used for reserve estimation are reasonable and supportable, given all available information.

During periods of low prices, a mining company may choose to temporarily curtail operations and save the asset until prices recover. When such actions are taken, this information must be publicly disclosed. In such circumstances, previously published Mineral Reserves may not have to be written off, provided, in the opinion of management and the Competent Person higher future prices can be reasonably and supportably assumed. As discussed below, whenever applicable a Reserve Sensitivity Test must be performed as part of the Mineral Reserves estimation process, whose results will assist investors in determining the risk associated with a project in periods of low commodity prices.

51. The forward price profile used to estimate Mineral Reserves, including expected short-term and long-term prices, and justification of these prices, must be documented. This documentation must be included in the Mineral Reserves Declaration Report.

It is likely that part or all of the price profile documentation will contain sensitive information which should be treated as confidential. Where required or requested for the purposes of review or audit, this information may be released to appropriate bodies such as the U.S. SEC or auditors on a confidential basis as supplemental information.

The documentation supporting management's expectations may include: comparison of prices with historical and current prices and forward curves, contracts and market considerations, currency exchange rates where applicable, third party sources, and supplemental information.

52. Public disclosure of prices used for Mineral Reserve estimation is recommended but not required. When commodity prices are disclosed, disclosure can be as a single

Stagg Dec. -- Exhibit 3

APP. III 728

price estimate equal to that used for reserve determination, or as a range of prices within which no material change in reserves would occur. Whether or not commodity prices used to estimate reserves are published, the overall methodology used to determine those prices should be disclosed. Such disclosure should be in a form which helps investors determine whether, in their own opinion, prices used represent reasonable views of future prices.

It is recognized that in some cases, such as when a product is sold under long term contract whose terms must be kept confidential, there can be valid commercial reasons for non-disclosure. There are circumstances where disclosure of long term price assumptions used for business planning and reserve reporting can be detrimental to the company and the investors, such as when bidding for sales contracts or property acquisitions. If prices are not published, the reasons for doing so must be documented. This documentation may be treated as confidential but should be available for review by auditors or regulators when required.

Reserves Sensitivity Test

53. When estimating Mineral Reserves, and if historical commodity prices are available, a **'Reserves Sensitivity Test'** must be conducted. The objective is to assess and report the sensitivity of the Mineral Reserves to recent fluctuations in commodity prices. This test is conducted based upon the realization of a positive non-discounted cumulative forward-looking cash flow at a **'Test Price'** equal to the average commodity price which prevailed during the most recent last three-years. The Test Price must be calculated as of the end of the financial year of the reporting entity, or within six months prior to the end of the financial year.

If the commodity price(s) used to develop the reserves is higher than the most recent three-year average price(s), the reporting entity should determine if mining the reserves at the most recent three-year average commodity price(s) generates non-discounted, forward-looking positive cumulative cash flow for each operating unit. If not, the reporting entity should disclose for those operating units (whether in production, proposed or curtailed) the commodity price(s) that is required to achieve positive cumulative cash flow.

It is recognized that there are commodities for which historical prices which reflect the value of the product sold (or to be sold) are not publicly available. In such circumstances, a Test Price cannot be calculated and a Reserves Sensitivity Test is not required.

A Test Price can usually be calculated for base metals and precious metals as such prices are quoted on international exchanges. There are other commodities for which publicly quoted prices may not be available or may not represent the value of the product sold or to be sold. In such cases, a Reserves Sensitivity Test cannot be meaningfully completed. The lack of necessary price information must be documented in the Mineral Reserves Declaration Report.

If a Mineral reserve is reported using a price lower than the test price, the forward-looking discounted cash flow must be positive, and the Reserve Sensitivity Test (based on an undiscounted cash flow) need not be performed.

Stagg Dec. -- Exhibit 3

APP. III 729

When applicable, a statement should be made that a Reserves Sensitivity Test was completed, or that such a test was not applicable. The test results must be included in the Mineral Reserves Declaration Report. The Reserves Sensitivity Test should be applied to each mine or each reporting unit, in accordance with the format used in publicly reporting the Mineral Reserves. The test results should be listed separately for each mine or reporting unit which failed to pass the test. Mines or reporting units which successfully passed the test can be reported as a group.

If the Reserve Sensitivity Test was applied and failed during the current and previous reporting years, this should be taken into account to determine whether continued declaration of reserves is justified. Even if reserves can still be declared, the Competent Person may recommend additional disclosure

When exchange rates must be taken into account to complete the Reserves Sensitivity Test, the average exchange rate which prevailed during the last three years should be used. When conducting the Reserves Sensitivity Test, all prices and costs must be on a constant price (un-escalated) basis.

Permitting and Legal Requirements

54. For a mineral deposit to be considered a Mineral Reserve, it is required that legally enforceable mineral title sufficient to allow exploration, development and extraction is controlled by the reporting entity at the time of determination. If the reporting entity is leasing or sub-leasing the mineral, the lease or sub-lease should be from an entity which has control of the necessary mineral titles. There must be no known material obstacles to mining, such as those which have caused shut down of mines or processing plants, or failure to get permits to operate. There must be a reasonable expectation that all permits, ancillary rights and authorizations required for mining, and to the extent applicable processing, can be obtained in a timely fashion, and maintained for ongoing operations.

The reporting entity must complete a review of all legal and permitting requirements and document the results of this review. Local environmental laws and processes must be taken into account. To demonstrate reasonable expectation that all permits, ancillary rights and authorizations can be obtained, the reporting entity must show understanding of the procedures to be followed to obtain such permits, ancillary rights and authorizations. Demonstrating earlier success in getting the necessary permits can be used to document the likelihood of success. If permits are required, but there is no defined procedure to obtain such permits, reasonable expectation of success may be questioned.

Information which materially increases or decreases the risk that the necessary legal rights or permits will be obtained must be publicly disclosed. It is recognized that the legal and permitting environment may change over time and that such changes could have an impact on reserve determination. If it is determined that obstacles arise or are eliminated, the reserve estimates must be adjusted accordingly.

It is recognized that some permits cannot be obtained until after a reserve has been declared. There might be sound business reasons why obtaining some permits should be postponed. It is also recognized that waiting for all permits to be on hand could result in critical information not being released to the investors in a timely fashion.

Documentation should include a brief description of the title, claim, lease or option under which the reporting entity has or will have the right to hold or operate the property, indicating any conditions which

**Stagg Dec. -- Exhibit 3
APP. III 730**

the registrant must meet in order to obtain or retain the property. If held by leases or options, the expiration dates of such leases or options should be stated. If extension of leases or options will be needed to mine the reserves, there should be reasonable expectation that such extension will be granted.

Information relating to this review of legal and permitting issues must be documented in a report. This report must be included in the Mineral Reserves Declaration Report either in full or by reference. The content of this report may remain confidential to the reporting entity. However, when required, it may be released to regulators or auditors on a confidential basis.

55. If the reporting entity has title in a mineral deposit which meets all the reserve criteria, and licenses, leases, or subleases the reserves to another entity for economic consideration, the Mineral Reserves that have been licensed, leased, or subleased, must be reported by the reporting entity (the lessor) as a subset of the entity's total Mineral Reserves.

If the reporting entity has licensed, leased, or subleased Mineral Reserves from another entity, the Mineral Reserves that have been licensed, leased, or subleased, must be reported by the reporting entity (the lessee) as a subset of the entity's total Mineral Reserves.

This requirement for additional disclosure is particularly relevant to mineral holding companies whose business is leasing mineral properties.

Reporting of Mineralized Fill, Pillars, Low-Grade Mineralization, Stockpiles, Dumps and Tailings

56. The Guide applies to the reporting of all potentially economic mineralized material including mineralized fill, pillars, low-grade mineralization, stockpiles, dumps, and tailings.

For the purposes of the Guide, mineralized stope fill and stockpiles of mineralized material can be considered to be similar to in situ mineralization when reporting Mineral Resources and Mineral Reserves. Consequently the Competent Person carrying out the assessment of the fill or stockpiles must use the bases of classification outlined in the Guide. In most cases, the opinion of a mining engineer should be sought when making judgments about the mineability of fill, remnants and pillars.

If there are not reasonable prospects for the economic extraction of a particular portion of the fill or stockpile, then this material cannot be classified as either Mineral Resources or Mineral Reserves. If some portion is currently sub-economic but there is a reasonable expectation that it will become economic, then this material may be classified as a Mineral Resource. Such stockpile material may include old dumps and tailings dam material. If technical and economic studies have demonstrated that economic extraction could reasonably be justified under realistically assumed conditions, then the material may be classified as a Mineral Reserve.

The above guidelines apply equally to low-grade in-situ mineralization, sometimes referred to colloquially as "mineralized waste" or "marginal-grade material", and often intended for stockpiling and treatment towards the end of mine life. For clarity of understanding, it is recommended that tonnage

and grade estimates of such material be itemized separately in public reports, although they may be aggregated with total Mineral Resource and Mineral Reserve figures.

Stockpiles are defined to include both surface and underground stockpiles, including broken ore in stopes, and can include ore currently in the ore storage system. Mineralized material in the course of being processed (including leaching), if reported and of material importance, should be reported separately together with the basis for estimation.

Mineralized remnants, shaft pillars and mining pillars which are potentially mineable are in situ mineralization and consequently are included in the Guide definitions of Mineral Resources and Mineral Reserves.

Mineralized remnants, shaft pillars and mining pillars which are not potentially mineable must not be included in Mineral Resource and Mineral Reserve statements.

Reporting of Exploration Results for Coal, Coal Resources and Coal Reserves

57. The clauses in this section of the Guide address matters that relate specifically to the Public Reporting of Mineral Resources and Mineral Reserves for coal. Coal is generally sold on the basis of product specifications and market acceptance. Such factors as quality and marketability are therefore important and should be carefully considered before declaring coal resources or coal reserves. Unless otherwise stated, all other clauses in this Guide, including Figure 1 and Table 1, apply to Exploration Results, Mineral Resources and Mineral Reserves for coal.

When reporting information and estimates for coal deposits, the key principles and purpose of the Guide apply and should be borne in mind. Because of coal specific characteristics – including geological continuity over large areas, the strategic value of controlling very long term reserves, and product pricing highly dependent on deposit location and coal quality – the most significant requirements which must be satisfied before a resource or a reserve is declared are not necessarily the same for coal as they are for other minerals.

58. The terms ‘Mineral Resource’ and ‘Mineral Reserve’, and the subdivisions of these terms as illustrated on Figure 1, apply also to coal reporting, but if preferred by the reporting entity, the terms ‘Coal Resource’ and ‘Coal Reserve’ and the appropriate subdivisions may be substituted.

When assessing criteria listed in this Guide which may be applicable to coal, the term ‘grade’ should generally be considered equivalent to ‘coal quality’.

59. As for all minerals, it is the responsibility of the Competent Person to determine in each particular situation which specific requirement must be satisfied before a Coal Resource or a Coal Reserve can be declared. The Competent Person should determine which evaluation criteria in Table 1 are applicable, which additional evaluation criteria should be taken into account if any, and the materiality of such criteria.

Many criteria listed in Table 1 which may be critical to the evaluation of other mineral deposits, such as base metals or precious metals, will not apply to the evaluation of coal deposits. Such criteria as coal quality, cost to markets including transportation cost, location and quality of competing coal reserves, and ability to compete with such reserves to access the market, are important and should be carefully considered before declaring a Coal Reserve.

Geological similarity between neighboring coal deposits can greatly simplify demonstration of a new Coal Resource, as well as reduce the technical and economic study requirements needed to demonstrate a Coal Reserve next to an operating mine. Geological similarity must be demonstrated by means of drill holes, mapping or other deposit-specific geoscientific evidence to a suitable level of confidence required to declare Measured and/or Indicated Resources. Mere inference of the continuity of coal thickness and quality from an operating mine onto a neighboring block or property is not sufficient to declare Measured and Indicated Resources and subsequently a Reserve.

Demonstration of geological similarity or analogy with an operating mine is usually not sufficient to demonstrate technical and economic feasibility. Factors such as access to the deposit and permitting constraints are likely to be project specific. It is the responsibility of the Competent Person to ascertain that there is sufficient information to demonstrate geological similarity and to determine which additional factors must be taken into account to demonstrate technical and economic feasibility with a reasonable level of confidence.

When a coal deposit is scheduled to be mined at a date some distance in the future, declaration of a Coal Reserve implies reasonable expectation at the time of reporting that the necessary permits could be obtained as needed.

60. Coal Resources and Coal Reserves should be reported as saleable product, either as run-of-mine coal or washed coal.

For coal deposits, it is common practice to report a saleable product rather than the "as mined" product which is traditionally regarded as the Mineral Reserve for most other minerals. It is important that a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. Some coal deposits may be capable of yielding products suitable for more than one application and/or specification. If considered material by the reporting entity, such multiple products should be quantified and reported.

61. Coal Resources and Coal Reserves should be reported as Assigned or Unassigned.

Assigned coal is coal that has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others. Unassigned coal represents coal that has not been committed, and which would require new mine shafts, mining equipment, or plant facilities before operations could begin on the property. The primary reason for this distinction is to inform investors which coal will require substantial capital investments before production can begin. Coal which has been leased to another company or is leased from another company must be disclosed separately.

62. Recommendations made in this Guide, that price assumptions and sensitivity to price changes be disclosed, do not apply to coal.

Coal is being sold in a highly competitive national and international market. Price disclosure can be viewed as price signaling and interpreted as anticompetitive. For business and legal reasons,

Stagg Dec. -- Exhibit 3

APP. III 733

disclosure of price assumptions made when estimating Coal Resources and Coal Reserves may be detrimental to the interest of shareholders and is usually not advisable. Other requirements concerning pricing which are included in the Guide are applicable to coal. This includes the requirement that prices be based on forward-looking estimates reflecting management's reasonable and supportable short- and long-term expectations, and that justification for such prices be documented.

Reporting of Exploration Results, Mineral Resources and Mineral Reserves for Industrial Minerals

63. The clauses in this section of the Guide address matters that relate specifically to the Public Reporting of industrial minerals, stone and aggregates of all forms and other bulk commodities such as borates, talc, kaolin etc. that are generally sold on the basis of their product specifications and market acceptance. Such factors as quality and marketability are therefore important and should be carefully considered before declaring Mineral Reserves. Unless otherwise stated, all other clauses in this Guide, including Figure 1 and Table 1, apply to Exploration Results, Mineral Resources and Mineral Reserves for industrial minerals.

When reporting information and estimates for industrial minerals, the key principles and purpose of the Guide apply and should be borne in mind. Assays may not always be relevant, and other quality criteria may be more applicable. If criteria such as deleterious minerals or physical properties are of more relevance than the composition of the bulk mineral itself, then they should be reported accordingly.

The factors underpinning the estimation of Mineral Resources and Mineral Reserves for industrial minerals are the same as those for other deposit types covered by the Guide. It may be necessary, prior to the reporting of a Mineral Resource or Mineral Reserve, to take particular account of certain key characteristics or qualities such as likely product specifications, proximity to markets, and present access to market or ability to get access to market.

For some industrial minerals, it is common practice to report the saleable product rather than the "as-mined" product, which is traditionally regarded as the Mineral Reserve for base and precious metals and other minerals. It is important that, in all situations where the saleable product is reported, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.

Some industrial mineral deposits may be capable of yielding products suitable for more than one application and/or specification. If considered material by the reporting entity, such multiple products should be quantified either separately or as a percentage of the bulk deposit.

64. With respect to modifying factors, the normal geological parameters may be less important in the case of industrial minerals, stone and aggregate. Such factors as quality, transportation, cost to markets, location and quality of competing reserves, and ability to compete with such reserves to access the market, are important and should be carefully considered before declaring Mineral Reserves.
65. As a general rule, a Mineral Reserve cannot be declared unless there are reasonable expectations that all permits, ancillary rights and authorizations required for mining can be obtained. For some minerals such as sand, gravel and aggregates, permitting requirements may be such that reasonable expectations can only be defined by

**Stagg Dec. -- Exhibit 3
APP. III 734**

comparison with competing reserves. When a deposit is scheduled to be mined at a date some distance in the future, declaration of a Mineral Reserve implies reasonable expectation at the time of reporting that the necessary permits could be obtained when needed.

66. Recommendations made in this Guide, that price assumptions and sensitivity to price changes be disclosed, may not apply to all industrial minerals.

Some industrial minerals are sold in a highly competitive local, national and/or international market. For business and legal reasons, disclosure of price assumptions may be detrimental to the interest of shareholders and may not be advisable. Other requirements concerning pricing which are included in the Guide are applicable to industrial minerals. This includes the requirement that prices be based on forward-looking estimates reflecting management's reasonable and supportable short- and long-term expectations, and that justification for such prices be documented.

Reporting Exploration Results, Mineral Resources and Mineral Reserves for Diamonds and Other Gemstones

67. The clauses in this section of the Guide address matters that relate specifically to the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves for diamonds and other gemstones. Unless otherwise stated, all other clauses in this Guide, including Figure 1 and Table 1, apply to Exploration Results, Mineral Resources and Mineral Reserves for diamonds and other gemstones.

For the purposes of Public Reporting, the requirements for diamonds and other gemstones are generally similar to those for other commodities with the replacement of terms such as 'mineral' by 'diamond' and 'grade' by 'grade and average diamond value'. The term 'quality' should not be substituted for 'grade,' since in diamond deposits these have distinctly separate meanings.

A number of characteristics of diamond deposits are different from those of, for example, typical metalliferous and coal deposits and require special consideration. These include the generally low mineral content and variability of primary and placer deposits, the particulate nature of diamonds, the specialized requirement for diamond valuation and the inherent difficulties and uncertainties in the estimation of diamond resources and reserves.

68. Reports of diamonds recovered from sampling programs must provide material information relating to the basis on which the sample is taken, the method of recovery and the recovery of the diamonds. The weight of diamonds recovered may only be omitted from the report when the diamonds are considered to be too small to be of commercial significance. The lower cutoff size should be stated along with the type of bottom sieve used.

The stone size distribution and price of diamonds and other gemstones are critical components of the resource and reserve estimates. At an early exploration stage, sampling and delineation drilling will not usually provide this information, which relies on large diameter drilling and, in particular, bulk sampling.

In order to demonstrate that a resource has reasonable prospects for economic extraction, some appreciation of the likely stone size distribution and price is necessary, however preliminary. To

determine an Inferred Mineral Resource in simple, single-facies or single-phase deposits, such information may be obtainable by representative large diameter drilling. More often, some form of bulk sampling, such as pitting and trenching, would be employed to provide larger sample parcels.

In order to progress to an Indicated Mineral Resource, and from there to a Probable Mineral Reserve, it is likely that much more extensive bulk sampling would be needed to fully determine the stone size distribution and value. Commonly such bulk samples would be obtained by underground development designed to obtain sufficient diamonds to enable a confident estimate of price.

In complex deposits, it may be very difficult to ensure that the bulk samples taken are truly representative of the whole deposit. The lack of direct bulk sampling, and the uncertainty in demonstrating spatial continuity of size and price relationships should be persuasive in determining the appropriate resource category.

69. Where diamond Mineral Resource or Mineral Reserve grades (carats per ton) are based on correlations between the frequency of occurrence of micro-diamonds and of commercial size stones, this must be stated, the reliability of the procedure must be explained and the number of stones and their weight reported by sieve size.
70. For Public Reports dealing with diamond or other gemstone mineralization, it is a requirement that a statement verifying the independence of the valuation accompany any reported valuation of a parcel of diamonds or gemstones. The valuation must be based on a report from a demonstrably reputable and qualified expert.

If a valuation of a parcel of diamonds is reported, the weight in carats and the lower cutoff size of the contained diamonds must be stated and the value of the diamonds must be given in U.S. dollars per carat. Where the valuation is used in the estimation of diamond Mineral Resources or Mineral Reserves, the valuation must be based on a parcel representative of the size, shape and color distributions of the diamond population in the deposit.

Diamond valuations should not be reported for samples of diamonds processed using total liberation methods.

TABLE 1. Checklist of Assessment Criteria

Estimates of the value of mineral projects are expressions of judgment predicated on knowledge and experience. Such estimates are more than arbitrary determinations; they seek to attach value as a consequence of method. The methods employed must be scientifically valid, tested, using accepted scientific definitions of terms and accepted procedures, and best suited to the making of reliable estimates for the project in question. Evaluation of mineral projects requires periodic examination and evaluation of all new and existing data. The dynamic nature of the evaluation of mineral projects implies that a valid estimate made at a given time may be significantly changed when new information becomes available. Evaluation of a mineral project should consider all the criteria listed below and such additional criteria that may be viewed as significant. It is the responsibility of the Competent Person to determine which criteria listed below and which additional criteria should apply to the study of a particular project. The relative importance of the criteria will vary with the particular project and the legal and economic conditions pertaining at the time of determination. When information is publicly reported, it must be sufficient to enable an intelligent layman to make a reasonable and balanced assessment of the significance of this information. When and whether information should be publicly released is subject to current laws and regulations in the relevant jurisdictions.

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
A. General			
1. Purpose of report	Statement of person for whom the report was prepared, whether it was intended as a full or partial evaluation, what work was conducted, what work remains to be done.	See Exploration Results	See Exploration Results
2. Project Description	Description of commodity, magnitude of project, background, and business arrangement.	See Exploration Results	See Exploration Results
3. Project Location	Description of location (country, state or province, county, township and range, easting and northing, etc.); a map showing location and access should exist.	See Exploration Results	See Exploration Results
4. Property Ownership	Description of ownership of surface rights, mineral rights, access rights, leases, concessions, royalties, and other	See Exploration Results	See Exploration Results

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
encumbrances and liabilities.			
B. Project Data			
1. Location of Project Data	Maps and cross sections or other two- or three-dimensional representation of results should exist, showing location of samples, drill holes, exploration pits, underground workings, geological data, etc. When evaluating drill hole results, consideration should be given to depth to top and bottom of mineralization, to total length and average grade of intercepts, and to the accuracy of survey information including down-hole surveys.	See Exploration Results. Particular attention should be given to drill hole and other sample survey information including down-hole surveys. If the sample locations are not well known, the effect on the resource estimates should be considered.	See Mineral Resource. The location of samples and other relevant features (property lines, mine workings, etc.) should be well-known. The location of drill hole collars should be accurate and the adequacy of the down-hole surveying technique should be reviewed and commented on.
2. Geological Data	Description of the nature, detail, and reliability of geological information (rock types, structure, alterations, mineralizations, and relation to known mineralized zones, etc.). Description of geophysical and geochemical data. Reliable geological maps and cross sections should exist to support interpretations.	See Exploration Results. Particular attention should be given to drill hole logging and other sample information used in resource evaluation. Description of the thoroughness with which all significant lithologic, structural, mineralogical, alteration, or other geological or geotechnical characteristics were recorded. Significant data, or data that could materially influence the estimated quantity and quality of the resource, should be discussed.	See Mineral Resource
3. Topography	General topographic map is sufficient	Topographic map in sufficient detail to assess likelihood of eventual economic feasibility.	Detailed topographic map. Aerial surveys must be checked with ground controls and surveys, particularly in areas of rugged terrain, dense vegetation or high altitude.
4. Sampling			

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
a. Method	Description of sample type and sample collection method (hand, grab, trench, channel, or chip sample; core hole, rotary hole, or reverse circulation; bulk sample, etc.). Discussion of sample quality and representativeness (sample recovery, high grading, selective losses or contamination, and any other factors that may have resulted in sample biases, etc.). Discussion of whether duplicate samples or alternative methods of sampling were used to verify sample quality. If indirect methods of measurement were used (geophysical methods), these should be described, with attention given to errors in interpretation.	See Exploration Results. The quantity and quality of sample information is critical to the reliability of resource estimates. Particular attention should be given to this information.	See Mineral Resource. Adequate sampling verification techniques, including appropriate numbers of duplicates and appropriate statistical analyses of duplicates are required.
b. Preparation	Description of laboratory and method used for sample preparation, subsampling and size reduction, and likelihood of inadequate or non-representative samples (improper size reduction, contamination, etc.). Discussion of whether tests were performed to verify the suitability of sample preparation.	See Exploration Results	See Exploration Results. Verification of the suitability of sample preparation is required.
c. Analysis	Identification of laboratory and analytical method (fire assay, AA assay, emission spectroscopy, etc.). Discussion of precision and accuracy, including the use of check assays, quality control programs, and submission of samples to other laboratories for verification.	See Exploration Results	See Exploration Results. Verification of analytical techniques and quality control programs are required. Check sampling and assaying must have been performed by independent parties.

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
d. Specific Gravity and Bulk Tonnage	Generally not determined.	Discussion of how the tonnage factor was determined (assumed or measured). If assumed, which assumptions were made and on which basis. If measured, by what method and how frequently. Discussion of whether different tonnage factors were used in different parts of the deposit and why.	See Mineral Resource. The specific gravity and bulk tonnage must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.) and for differences between rock and alteration zones within the deposit.
C. Interpretation			
1. Geological Interpretation and Model	Description of geological model and inferences made from this model. Discussion of adequacy of data density and reliability, and whether the quality and quantity of information are sufficient to support statements made or inferred concerning potential for significant economic discovery.	See Exploration Results. Discussion of sufficiency of data density to assure continuity of mineralization and provide an adequate data base for the estimation procedure used. Discussion of the extent to which the interpretation is based on data or on assumptions and whether consideration was given to alternative interpretations or models.	See Mineral Resource.
2. Numerical Model	Generally not determined.	Detailed description of the method used and the assumptions made to estimate tonnages and grades (section, polygon, inverse distance, geostatistical, or other method). Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. If a computer method was chosen, description of programs and parameters used. Geostatistical methods are extremely varied and should be described in detail. The method chosen should be justified. The geostatistical parameters, including the variogram, and	See Mineral Resource.

Stagg Dec. -- Exhibit 3
APP. III 740

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
D. Extraction 1. Mining a. Method	Description of any obvious mining factors that could have a significant impact on the project feasibility.	their compatibility with the geological interpretation should be discussed. Experience gained in applying geostatistics to similar deposits should be taken into account.	Mining method(s), mine plans and production schedules defined for the life of the project. Description and justification of mining method(s) to be used. Discussion of mining rate, equipment selected, ore control methods, geotechnical and hydrological considerations, personnel requirements, dilution, and mine recovery. For open pit mines, discussion of pit slopes, slope stability, and strip ratio. For underground mines, discussion of mining method, rock mechanics considerations, mine design characteristics, and ventilation.
	Generally not determined.	Stated reasonable assumptions.	Description and justification of capital and operating costs. All capital items identified. Detailed equipment list. Price quotes for all major equipment items. Major components of operating costs itemized and justified. Capital and operating budgets defined by year.
2. Processing a. Method	Description of any obvious processing factors that could have a significant impact on the project feasibility.	Description of any processing factors that could have a significant impact on the project feasibility. Discussion of possible processing methods.	Description and justification of processing method(s) to be used, equipment, plant capacity and personnel requirements. Detailed flow sheet based

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
b. Costs	Generally not determined.	Stated reasonable assumptions.	on comprehensive metallurgical program. Justification of estimated recovery (proportion of material sent to the processing plant that will be recovered) by geologic zone, whether based on historical information, laboratory test, or pilot plant results.
3. Recovery			
a. Mining	Generally not determined.	Stated reasonable assumptions.	Reported tonnages, grades and mineral contents must take into account mining dilution and losses. Description and justification of mining dilution and losses is required.
b. Processing	Generally not determined.	Stated reasonable assumptions.	Discussion of whether the reported tonnages and grades consist of material in place or whether processing recoveries are included. If in-place values are reported, information must be supplied concerning expected processing losses or recoveries. Justification of processing recoveries is required.
4. Cutoff Grade	Generally not determined.	Justification of the cutoff grade used to report resources.	Description of methods used to calculate cutoff grades.

Stagg Dec. -- Exhibit 3
APP. III 742

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
E. Infrastructure			
1. Facilities	Generally not determined	Stated reasonable assumptions. It is reasonable to assume that necessary facilities could be built	Necessary facilities have been designed (which may include processing plant, tails dam, leaching facilities, waste dumps, road and/or rail accesses, power supply, offices, housing, security, etc.). Detailed map showing location of facilities. Construction schedule developed.
2. Staffing	Generally not determined	Generally not determined	Detailed staffing plan. Training. Salary scale.
3. Supplies	Generally not determined	Reasonable assumption that necessary supplies can be obtained.	All necessary supplies have been identified (electricity, reagents, fuels, etc.). Demonstration that supplies are available as needed. Requirements specified on a yearly basis.
4. Hydrology	Generally not determined	Stated reasonable assumptions.	All water requirements specified and sources of water identified. Dewatering requirements estimated on the basis of data. Water disposal and quality control.
5. Costs	Generally not determined	Stated reasonable assumptions.	Description and justification of capital and operating costs. All capital items identified with sufficient detail for costing. Construction schedule and capital and operating budgets defined by year.
F. Environmental Compliance and Reclamation			
	Description of obvious environmental factors likely to stop the project.	Description of any environmental factors that could have a significant impact on the project feasibility. Discussion of possible means of mitigation.	The necessary permits have been obtained, or there is reasonable basis to believe that all permits required for the project can be obtained in a timely manner. Description of yearly

Stagg Dec. -- Exhibit 3
APP. III 743

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
G. Feasibility			
1. Product Valuation	Description of valuable and potentially valuable product(s) including suitability of products to market.	See Exploration Results. Stated reasonable assumptions concerning likely product value.	<p>environmental compliance methods and costs, including reclamation..</p> <p>Description of product to be sold. Discussion of whether there exists a ready market for the product, whether contracts for the sale of the product are in place or expected to be readily obtained. Detailed description of method used to estimate the commodity price profiles used for cutoff grade calculation, economic analysis and project valuation. Demonstration that the price assumptions are reasonable and supportable. Justification of assumptions made concerning production cost and value of product. Transportation, marketing, and other costs should be considered.</p>
2. Cash Flow Analysis	Generally not applied.	Generally not applied. Consideration of order of magnitude capital cost, operating costs and revenue indicate reasonable prospect of eventual economic extraction.	Detailed cash flow analysis for the life of the project.
3. Valuation Method	Generally not applied.	Stated reasonable assumptions.	Detailed description of the method used to determine the economic feasibility of the project.
4. Reserve Sensitivity Test	Not applicable.	Not applicable.	Detailed description of method used and results obtained.
H. Risk Analysis	Generally not applied.	Sufficient risk assessment completed to justify reasonable prospect of eventual	Fatal flow analysis. Detailed assessment of project technical and economic risk.

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
I. Resource and Reserve Assurance Classification	Data to support estimates with a sufficient degree of assurance is lacking. Specific quantities and grades/qualities cannot be reported.	Description and justification of criteria used to classify the resource. When reported, a resource should be classified as measured, indicated, or inferred. Depending on materiality measured and indicated resources may be combined and need not be reported separately. To classify a resource as measured or indicated, there must be a reasonably high level of confidence with respect to the quality of the information used to calculate this resource, as well as the interpretation of this information.	Description of actions which will be taken to mitigate risk. No significant risk of project failure. Description and justification of criteria used to classify the reserves. Reserves are classified as proven or probable to reflect relative degrees of geological assurance. Depending on materiality, proven and probable reserves may be combined. There should not be significant uncertainty concerning the economic viability of the project. Only measured and indicated resources can be considered for inclusion in the reserve. Resources classified as inferred lack the requisite degree of assurance to be included in the reserve.
J. Other Considerations	Description of any other significant information that is likely to prevent or facilitate the economic viability of the project. Identification of work or conditions required to demonstrate the presence of a resource or to evaluate this resource.	Description of any other material information that could prevent or facilitate the economic viability of the resource. Identification of work or conditions required to convert the resource to a reserve. A resource represents material that has the potential of being of economic value. No specific economic criteria need be assumed when evaluating a resource. However, known information that significantly reduces or increases the probability of economic feasibility should be reported.	While any other material information affecting the project should be discussed, no material impediments to the profitable exploitation of the property should remain. Material uncertainties about the geology, extraction, processing, marketing, and legal requirements have been eliminated. It is not required that all permits be issued or that mining and processing facilities have been constructed. However, there should be a reasonable basis to believe that permitting and construction of the necessary facilities can be accomplished in a timely manner.

Stagg Dec. -- Exhibit 3
APP. III 745

Evaluation Criteria	Exploration Results	Mineral Resource	Mineral Reserve
K. Qualification of Estimator(s)	Name and qualification of the Competent Person(s) preparing and reviewing the foregoing.	See Exploration Results	See Exploration Results

Stagg Dec. -- Exhibit 3
APP. III 746